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SENSITIVE
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NEA FOR FRONT OFFICE. NSC FOR SHAPIRO/KUMAR. JOINT STAFF
FOR LTGEN SELVA

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SUBJECT: INCENTIVES TO WEST BANK SETTLEMENTS MAY PERSIST

¶1. (U) On 5 July, the Knesset Finance Committee broadened the criteria by which the government will grant National Priority Area (NPA) status, which could allow the continuation and a potential increase of incentive benefits for West Bank settlers. The NPA bill gives the GOI the legal authority to determine NPA zones based on the following criteria: security and socio-economic conditions, the GOI's periphery index, strategic location of communities, and other special circumstances. The Knesset committee also erased language stipulating that benefits of NPA status would apply to eligible communities "in the state" so as to prevent challenges from groups arguing that settlements in the Occupied Territories are not within the State of Israel. (Note: The NPA bill is part of the Israel's Arrangements (budget) Bill and is expected to be passed as early as next week. Embassy's in-depth assessment of the types of incentives provided to West Bank settlers can be viewed on the Embassy's classified website at <http://www.state.sgov.gov/p/nea/telaviv/> under the link "Reporting Attachments." End note.)

¶2. (U) The new draft of the NPA bill, if approved, will cancel the 24 August 2008 decision by the Olmert Government (Cabinet Resolution 3960), which stated that a community's distance from Tel Aviv (the "Periphery Index") would primarily determine its eligibility for NPA status. If applied strictly by the periphery index criteria, NPA status could only be granted to the Galilee, the Negev, and remote settlement communities in the Jordan Valley and the Southern Hebron Hills. (Note: Olmert's approach still left broad discretion for individual ministers to unilaterally extend NPA status in "special circumstances." End note.) Hagit Ofra from Peace Now told Econoff on 6 July that the Committee's discussions left little doubt that the goal of the NPA draft changes was to allow greater inclusion of settlement communities. According to Ofra, some settler leaders (non-Knesset members), including Ariel Mayor Ron Nachman, participated in the Finance Committee's discussions. Ofra further added that discussions emphasized the importance of the security criterion, which will likely benefit settlers who live under tighter security constraints than most Israelis.

¶3. (SBU) Comment: Once the Arrangements Bill has passed, the Prime Minister's Office will have to make a list of the communities that will be eligible for the National Priority Area subsidies. Embassy has already registered our concern with PMO staff over this blatant opening of the NPA to the settlements, though the redraft may have little actual impact, as the previous bill already granted significant discretion for individual ministers to provide incentive benefits to settlement communities. Nonetheless, we will be meeting with senior PMO officials and staff of potentially subsidizing ministries (e.g., Housing and Construction, and National Infrastructure) over the next few weeks to get a

sense of what the Finance Committee's actions could mean on the ground.

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